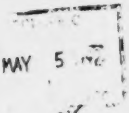
" 0 20985
0-34871



11/8

5/8

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FQ2-2231

For Quarter Ended March 31, 1992 Commission File Number 0-14102

FRONTIER ADJUSTERS OF AMERICA, INC.
(Exact name of registrant as specified in its charter)

Arizona	86-0477573
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

45 East Monterey Way, Phoenix, AZ 85012
(Address of principal executive offices)

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Number of shares of Common Stock outstanding on April 30, 1992 4,710,410

BEST COPY
AVAILABLE

PROCESSED BY
11-11-11
MAY 8 1992
L30

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

FRONTIER ADJUSTERS OF AMERICA, INC.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

	Mar. 31, 1992 (unaudited)	June 30, 1991 (*)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 599,688	$ 123,309
Investments	1,247,560	554,501
Receivables	1,293,033	1,144,390
Prepaid expenses	160,999	161,611
Other	60,409	42,359
TOTAL CURRENT ASSETS	3,361,689	2,026,170
PROPERTY AND EQUIPMENT	2,067,098	1,726,764
Less accumulated depreciation and amortization	582,550	555,548
	1,484,548	1,171,216
OTHER ASSETS		
Cost of subsidiary in excess of net tangible assets acquired	213,817	213,817
Less accumulated amortization	164,686	162,952
	49,131	50,865
Investments (Long term)	236,693	236,587
Other	132,792	163,244
	418,616	450,696
TOTAL ASSETS	$5,264,853	$3,648,082
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 11,488	$ 28,340
Accrued expenses	239,131	186,652
Franchisee/licensee remittance payable	307,651	106,101
Other	127,627	58,929
TOTAL CURRENT LIABILITIES	685,897	380,022
STOCKHOLDERS' EQUITY		
Common stock	47,104	42,664
Additional paid in capital	1,943,918	1,037,314
Retained earnings	2,587,934	2,188,082
	4,578,956	3,268,060
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,264,853	$3,648,082

* Condensed from audited financial statements.

The accompanying notes are an integral part of these condensed statements.

FRONTIER ADJUSTERS OF AMERICA, INC.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Nine Months Ended March 31,		Three Months Ended March 31,	
	1992	1991	1992	1991
REVENUES				
Continuing licensee and franchisee fees	$2,618,083	$2,552,654	$ 846,517	$ 887,129
Adjusting fees	505,947	742,566	192,856	218,279
Risk management fees	172,990	111,326	58,534	42,058
	3,297,020	3,406,546	1,097,907	1,147,466
COST AND EXPENSES				
Compensation & fringe benefits	1,415,585	1,391,236	480,361	467,302
Office	241,798	232,443	75,028	75,545
Advertising and promotion	196,759	173,973	115,329	75,365
Depreciation and amortization	80,948	98,568	27,978	31,911
Provision for doubtful accounts	70,000	90,000	30,000	30,000
Other	345,480	300,051	119,199	80,494
	2,350,570	2,286,271	847,895	760,617
INCOME FROM OPERATIONS	946,450	1,120,275	250,012	386,849
OTHER INCOME (EXPENSE)				
Interest income	81,573	66,753	26,393	21,435
Gain of sale of Tucson operations	-	93,969	-	-
Other (Net)	38,851	(8,975)	8,138	156
TOTAL OTHER INCOME (EXPENSE)	120,424	151,747	34,531	21,591
INCOME BEFORE INCOME TAXES	1,066,874	1,272,022	284,543	408,440
INCOME TAXES	414,609	503,899	109,547	161,883
NET INCOME	$ 652,265	$ 768,123	$ 174,996	$ 246,557
Weighted Average Shares outstanding	4,588,871	4,266,390	4,710,410	4,266,390
NET INCOME PER COMMON SHARE	$ .14	$ .18	$ .04	$ .06

The accompanying notes are an integral part of these condensed statements.

FRONTIER ADJUSTERS OF AMERICA, INC.
AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

Nine Months Ended March 31, 1992 and 1991

	1992	1991
NET INCOME	$ 652,265	$768,123
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	74,790	111,345
(Gain) on disposition of property and equipment	(8,984)	(309)
(Gain) on sale of Tucson operations	-	(93,969)
Change in assets and liabilities:		
(Increase) decrease in:		
Receivables	(148,643)	(67,952)
Prepaid expenses	612	(21,513)
Other	(33,902)	(31,760)
Increase (decrease) in:		
Accounts payable	(16,852)	(3,623)
Accrued expenses	52,479	119,288
Franchisee and licensee remittance payable	201,550	9,091
Other	(2,032)	(3,600)
Total adjustments	119,018	16,998
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	771,283	785,121
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(317,493)	(31,541)
Investments purchased	(2,156,861)	(596,697)
Proceeds from sales of investments	1,510,000	690,000
Proceeds from disposition of property & equipment	10,819	64
Proceeds from sale of Tucson operations	-	15,000
NET CASH PROVIDED(USED)BY INVESTING ACTIVITIES	(953,535)	76,826
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash dividends	(252,413)	(213,319)
Repayment of long term debt	-	(400,000)
Other	12,623	-
Proceeds from issuance of common stock	898,421	-
NET CASH USED IN FINANCING ACTIVITIES	658,631	(613,319)
NET INCREASE (DECREASE) IN CASH	476,379	248,628
Cash at beginning of the period	123,309	185,911
Cash at the end of the period	$ 599,688	$434,539

Supplemental disclosures of Cash Flow information (Note 2)

The accompanying notes are an integral part of these condensed statements.

FRONTIER ADJUSTERS OF AMERICA, INC.
AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(1) Basis of Presentation

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results of operations for the interim periods.

The results of operations for the nine month period ended March 31, 1992 are not necessarily indicative of the results to be expected for the full year.

(2) Cash Flow Information

Supplemental disclosure of cash flow information:

	1992	1991
Cash paid during the nine month period		
Interest	$ -	$ 24,000
Income Taxes	$500,164	$559,420

Supplemental schedule of non cash investing and financing activities:

The Company sold its Tucson operations in December, 1990
Transaction was recorded as follows:

Gross Sales Price	$160,000
Interest Imputed at 11.25%	52,956
Net Sales Price	107,044
Cash Received	15,000
Balance Receivable	$ 92,044

(3) Investments

Face Value	Description	Maturity Date	Book Value
$ 270,000	U. S. Treasury Bill	June 6, 1992	$ 267,204
$1,000,000	U. S. Treasury Bill	Sept. 19, 1992	980,356
			$1,247,560

(4) Property and Equipment

	1992	1991
Land	$ 500,143	$ 350,000
Buildings and improvements	801,905	801,905
Computer and software	301,026	296,929
Furniture and fixtures	221,074	214,268
Automobiles	76,575	63,662
Construction in progress	166,375	-
	2,067,098	1,726,764
Less accumulated depreciation and amortization	582,550	555,548
	$1,484,548	$1,171,216

(5) Investments (Long Term)

Face Value	Description	Maturity Date	Book Value
$ 50,000	Salt River Project Agricultural Improvement & Power District 7.25%	Jan. 1, 2019	$ 50,000
$ 25,000	City of Chandler, Arizona General Obligation Bond 6.75%	July 1, 2005	24,255
$ 25,000	Pima County IDA Tucson S-A 6.875%	April 1, 2006	24,738
$ 50,000	Salt River Project Agricultural Improvement & Power District 7.25%	Jan. 1, 2016	50,127
			149,120
Citi-Central Plaine Partners II, a California Limited Partnership (5 Units)			87,573
			$236,693

(6) Stock Offering

The Company and William W. Strawther, Jr. and his wife, Marjorie A. Strawther, as Trustees under Trust Agreement, dated June 7, 1989, establishing the William W. Strawther, Jr. and Marjorie A. Strawther Living Trust (Selling Shareholders) entered into an agreement dated August 21, 1991 with W. B. McKee Securities, Inc. (Underwriter) to sell 1,000,000 shares of Common Stock of the Company at $2.50 per share. The Company offered 300,000 shares of stock and the Selling Shareholders offered 700,000 shares. The offering was made by the Underwriter on an all-or-none "best efforts" basis. The 1,000,000 shares of Common Stock were sold within 45 days from the date of the Prospectus, and the Company exercised its option to offer, through the Underwriter, on a best efforts basis, an additional 150,000 shares of Common Stock.

The offering was completed on September 13, 1991 with a total sale of 1,144,020 shares, of which 444,020 were sold by the Company. Pursuant to an agreement between the Company and the Selling Shareholders, the Company received $286,005 for payment of the expenses of the offering. The actual expenses of the offering were $259,260. The balance of $26,745 was pro-rated between the Selling Shareholders and the Company. Accordingly, the Company paid the Selling Shareholders upon the final accounting of the offering expenses $16,365 on October 11, 1991.

Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

The Company has historically financed its ongoing operations through cash generated by its operations; however, because of the need for additional office space, as well as the Company's agreement to expand into London, England during the 1992 fiscal year (which are explained in more detail in the following paragraphs), the Company participated in a public offering of its common stock which raised $898,421 net of expenses in connection with the offering. The Company's ongoing operations generated $771,283 in cash during the nine months ended March 31, 1992. The cash generated by the Company's ongoing operations were used to pay the $252,413 in cash dividends during the Company's current fiscal year, and a major portion of the remaining cash generated by ongoing operations is committed for the payment of the Franchisees and Licensees remittance payable in the amount of $307,651. Management believes that the Company will be able to fund all of its other cash requirements from its ongoing operations.

The Company is renovating and expanding its principal executive office by adding approximately 5,250 square feet to the approximately 8,000 square feet of currently existing office space. The total cost of the renovation of the Company's principal executive office will be approximately $225,000. To accommodate the parking requirements of the additional office space as well as the parking that the renovation of the Company's principal office will remove from its current use, the Company acquired a parcel of real property across the street from its principal executive office, which was owned by William W. Strawther, Jr., the Company's Chairman of the Board, and Marjorie A. Strawther, his wife, for $150,000. The Company has removed existing improvements from the parcel and is constructing certain other improvements to enable the parcel to be utilized for employee parking. The rezoning of the parcel, the removal of the existing improvements and the construction of the necessary other improvements thereon will cost the Company approximately $50,000. The Company also anticipates that during the 1992 fiscal year it will expend approximately $150,000 to $225,000 on equipment upgrades and enhancements as well as furnishings for the additional office space provided by the renovation of which approximately $66,000 has been expended as of March 31, 1992. As of March 31, 1992, the Company had paid $245,787 towards the purchase of the land, improvements and renovations. Additionally, the Company owed approximately $70,000 for the improvements and renovations as of March 31, 1992.

The Company has agreed to grant a franchise for a suburb of London, England to one of its existing franchisees. It is intended that the franchisee will establish an office in London from which he will conduct his adjusting business as well as seek to market the Company and its Licensees' and Franchisees' adjusting services in the United States and Canada to British insurers and underwriters. The Company has agreed to pay certain of that franchisee's business expenses during the first year of operations. The Company also anticipates advancing the franchisee certain funds to assist him in meeting his business and personal expenses in connection with his start up operations. The Company anticipates that the expenses it will pay as well as the advances to the Company's London franchisee will total approximately $200,000 over two years starting April 1, 1992. The Company's agreement to pay certain of the franchisee's expenses during his first year of operations is expected to have a negative effect on the Company's earnings and working capital.

Financial Condition (Continued)

Management's policy has been to maintain a solid financial position. At March 31, 1992, the Company's ratio of current assets to current liabilities was 4.9 to 1 as compared to 5.33 to 1 on June 30, 1991, which is evidence of Management's commitment to this policy.

Results of Operations - Nine Months Ended March 31, 1992 Compared to 1991

Revenues

The Company's revenues decreased from $3,407,000 to $3,297,000 for the nine months ended March 31, 1992 compared to 1991. The decrease consists of a $237,000 decline in adjusting fees, a $65,000 increase in continuing licensee and franchisee fees and a $62,000 increase in risk management service fees.

Continuing licensing and franchising fees increased to $2,618,000 from $2,553,000, an increase of $65,000 or 3%. The Company's Licensees and Franchisees continue to have growth in fees paid to the Company, particularly the new offices which were established in the previous fiscal year. The fact that the Company's Licensees' and Franchisees' revenues are affected by both natural and man-made events makes it impossible for the Company to project revenue growth or that revenues will continue at the current rates. The Company, however, is continuing its growth in the number of Franchisees and Licensees, as qualified individuals come to the Company. The Company believes that this will provide for future growth in continuing licensing and franchising fees.

Because of the Company's geographical distribution of the Company's licensees/franchisees, the effects of the lack of or the abundance of natural or man-made events normally have minimal effect on the Company's revenues; this, however, is not the case when it comes to the offices which the Company owns and operates. The first nine months of the Company's 1991 fiscal year revenues from adjusting reflect the effects of several major storms which hit the Phoenix, Arizona area, generating significant revenues from adjusting. The Company, however, did not have the same type of natural phenomenon during the same period of the Company's current fiscal year. This lack of storms resulted in an approximate $125,000 reduction in revenues from adjusting. Additionally, in December, 1990, the Company sold its Tucson operations to an individual who now operates it as a franchisee of the Company. This reduced adjusting fees approximately $87,000; however, the Company received approximately $14,000 in franchise fees as a result of this transaction during the current nine months. On March 31, 1992, the Company elected to no longer operate the offices it owned in Oregon. These offices are in the process of being transferred to Licensees. This action will result in an approximate $14,000 decline in adjusting revenues per quarter, however, the Company will receive Licensee/Franchisee fees of approximately $2,100 per quarter as a result of the change. The Company will additionally reduce its operating expenses by approximately $24,000 related to the Oregon operations.

Risk management revenues increased to $173,000 in 1992 from $111,000 in 1991. The majority of this increase is attributed to a client to which the Company is providing services related to the adjusting of claims.

Compensation and Fringe Benefits

The Company's most significant expenses are those for the compensation and the related fringe benefits and payroll taxes of its employees. The Company's expenses relative to its employees increased $24,000 when compared to the same period of the prior year. Although the Company had a significant decrease in adjusting salaries due to the lack of storm-related claims, this is more than offset by by an increase in other salaries and benefits due to inflation.

Expenses other than Compensation and Fringe Benefits

Expenses other than compensation and fringe benefits increased $40,000 when comparing the nine months ended March 31, 1992 with the same period of the prior year. The majority of this increase is related to expenses relative to the Company's listing on the NASDAQ's National Marketing System and additional insurance coverage the Company initiated in May of 1991.

Income Taxes

Income taxes were 39% of the Company's income before taxes for the nine months ended March 31, 1992 which is substantially the same as it was in the prior year. The Company has not been affected by any significant changes in the federal or state income tax laws increasing the rates. However, the Company could be affected by changes in the federal or state rates at any time.

The Company has elected to defer implementation of Financial Accounting Standard No. 96 "Accounting for Income Taxes" (FAS No. 96). If the Company had implemented FAS No. 96, there would have been no significant changes in income taxes reported.

Net Income

The Company's net income decreased from $768,000 to $652,000; a decrease of $116,000 or 15%. The decrease in net income is related to the Company owned and operated adjusting offices having significant lower revenues due to the lack of storm-related claims in the geographical areas in which they are located, and the Company having sold its Tucson office in December, 1990, at a net gain of $94,000.

Results of Operations - Quarter Ended March 31, 1992 Compared to 1991

Revenues

The Company's total revenues decreased to $1,098,000 for the third quarter of the 1992 fiscal year compared with $1,147,000 in the same quarter of the 1991 fiscal year. This represents a 1% decrease over the prior year's results.

Revenues (Continued)

The Company's franchise/license fees were $847,000 in the third quarter of fiscal 1992. This is an insignificant change in franchise/license fees. The franchise/license fees have benefited from the continued growth in franchise/license locations and the number of major storms nationwide.

Adjusting fees from Company-owned adjusting offices decreased 12% to $193,000. A portion of the decrease is a result of the sale of the Tucson, Arizona office and fewer storm related claims this year than in the prior year.

The third component of the Company's revenues is its risk management fees. Fees from risk management were $59,000.

Compensation and Fringe Benefits

The Company's most significant expenses are those for compensation and fringe benefits of its employees. The Company's expense relative to its employees was relatively stable at $480,000 for the quarter ended March 31, 1992.

Expenses other than Compensation and Fringe Benefits

The Company's other expenses increased to $367,000 from $293,000. The change is related to an increase in the cost of national advertising due to the increase in number of Licensees/Franchisees as well as several new ads the Company ran in trade publications. Additionally, the Company had expenses related to the Company's listing on the NASDAQ National Marketing System and additional insurance coverage the Company initiated in May of 1991.

Income Taxes

The Company's income taxes have been stable at approximately 38-40% of income before income taxes. The Company has benefited from the federal government's unchanged tax structure.

PART II: OTHER INFORMATION

Responses to items one through five not listed above are omitted since these items are either inapplicable or the response thereto would be negative.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FRONTIER ADJUSTERS OF AMERICA, INC.

Date: May 4, 1992

William J. Rocks, President, Director
Principal Financial Officer